Financial Section

Contents

Consolidated Financial Summary

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2009, February 29, 2008 and February 28, 2007 and 2006.

	Millions of yen				Thousands of U.S. dollars (Note A)
	2009	2008	2007	2006 (Note B)	**2009**
For the fiscal year:					
Revenues from operations	**¥5,649,949**	¥5,752,393	¥5,337,807	¥3,895,772	**$57,652,541**
Operating income	**281,866**	281,088	286,838	244,940	**2,876,184**
Income before income taxes and minority interests	**215,115**	227,442	243,060	178,518	**2,195,051**
Net income	**92,337**	130,658	133,419	87,931	**942,214**
Net income ratio (Note C)	**1.6%**	2.3%	2.5%	2.3%	**1.6%**
Capital expenditures (Note D)	**188,944**	217,738	278,389	185,354	**1,928,000**
Depreciation and amortization (Note E)	**140,529**	143,643	132,693	97,811	**1,433,969**
ROE	**4.9%**	6.7%	7.6%	5.5%	**4.9%**
ROA	**2.4%**	3.4%	3.7%	2.6%	**2.4%**
At fiscal year-end:					
Total assets	**¥3,727,061**	¥3,886,680	¥3,809,192	¥3,424,879	**$38,031,235**
Cash and cash equivalents	**663,484**	667,770	570,134	610,877	**6,770,245**
Total current assets	**1,397,102**	1,354,417	1,274,377	1,102,819	**14,256,143**
Total current liabilities	**1,254,927**	1,177,494	1,097,657	982,859	**12,805,378**
Long-term debt	**463,350**	482,177	565,672	547,437	**4,728,061**
Total net assets	**1,860,673**	2,058,039	1,969,149	1,717,881	**18,986,459**
Business segments:					
Convenience store operations:					
Revenues from operations	**¥2,308,691**	¥2,395,702	¥2,249,649	¥2,015,236	**$23,558,071**
Operating income	**213,368**	201,032	206,090	209,815	**2,177,224**
Superstore operations:					
Revenues from operations	**2,125,030**	2,109,050	1,882,935	1,687,735	**21,683,980**
Operating income	**24,742**	34,059	29,170	15,382	**252,470**
Department store operations:					
Revenues from operations	**993,877**	1,025,355	988,358	—	**10,141,602**
Operating income	**18,335**	25,765	26,773	—	**187,092**
Food services:					
Revenues from operations	**102,711**	113,980	121,684	124,025	**1,048,071**
Operating income (loss)	**(2,948)**	(4,231)	932	2,625	**(30,082)**
Financial services:					
Revenues from operations	**124,866**	117,956	100,295	82,289	**1,274,143**
Operating income	**25,485**	21,072	24,548	17,278	**260,051**
Others:					
Revenues from operations	**35,080**	36,653	32,341	19,781	**357,960**
Operating income	**2,070**	2,489	1,622	808	**21,123**

	Yen				U.S. dollars (Note A)
Net income per share:					
Basic	**¥100.54**	¥137.03	¥142.90	¥100.83	**$1.03**
Diluted	**100.54**	—	—	—	**1.03**

Notes: (A) U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98=US$1, the approximate rate of exchange prevailing on February 28, 2009.
(B) The results of Millennium Retailing and its subsidiaries and affiliates in the fiscal year ended February 28, 2006 are consolidated only in the balance sheets.
(C) Revenues from operations are used as the denominator for net income ratio.
(D) Capital expenditures include property and equipment, intangible assets and long-term leasehold deposits.
(E) Depreciation and amortization is included in cost of sales as well as selling, general and administrative expenses.

Financial Review

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2009, February 29, 2008 and February 28, 2007 and 2006.

	Millions of yen				Thousands of U.S. dollars (Note)
	2009	2008	2007	2006	**2009**
Revenues from operations:					
Convenience store operations:					
Merchandise	**¥1,126,294**	¥1,239,097	¥1,182,717	¥1,069,684	**$11,492,796**
Gasoline	**769,078**	763,769	689,568	575,726	**7,847,735**
Franchise commission from franchised stores	**394,864**	369,467	359,770	356,907	**4,029,224**
Other	**18,455**	23,369	17,594	12,919	**188,316**
Total	**2,308,691**	2,395,702	2,249,649	2,015,236	**23,558,071**
Superstore operations	**2,125,030**	2,109,050	1,882,935	1,687,735	**21,683,980**
Department store operations	**993,877**	1,025,355	988,358	—	**10,141,602**
Food services	**102,711**	113,980	121,684	124,025	**1,048,071**
Financial services	**124,866**	117,956	100,295	82,289	**1,274,143**
Others	**35,080**	36,653	32,341	19,781	**357,960**
Eliminations	**(40,306)**	(46,303)	(37,455)	(33,294)	**(411,286)**
Consolidated total	**¥5,649,949**	¥5,752,393	¥5,337,807	¥3,895,772	**$57,652,541**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥98=US$1, the approximate rate of exchange prevailing on February 28, 2009.

ANALYSIS OF RESULTS OF OPERATIONS

Revenues from Operations and Operating Income

In the fiscal year ended February 28, 2009, Seven & i Holdings recorded revenues from operations of ¥5,649.9 billion, a decrease of ¥102.4 billion year on year, and operating income of ¥281.9 billion, up ¥0.8 billion.

Seven-Eleven Japan (SEJ), the core operating company in convenience store operations, strengthened its store openings in urban areas and aggressively relocated stores to favorable locations. As a result, the number of domestic stores reached 12,298 at the end of the fiscal year, an increase of 264 stores from the end of the previous fiscal year. Also, accompanying the introduction of *taspo* IC cards (cards used to verify that purchasers of cigarettes from vending machines are adults), the number of customers visiting stores to purchase cigarettes increased. In response, SEJ worked to expand its offerings of daily products and freshly cooked fast food products prepared with in-store fryers. SEJ also focused on sales of *Seven Premium* products, centered on daily products that are frequently purchased. In addition, SEJ newly concluded comprehensive agreements with 19 local governments for the activation of local regions and worked to develop products using superior regional foods. As a result, total store sales, which comprise corporate and franchised store sales, were up 7.3%, to ¥2,762.6 billion. By product category, sales of processed foods, which include soft drinks, confectionery, and seasonings, were up 2.6%, to ¥787.3 billion. Sales of fast food products, which include boxed lunches, rice balls and other rice-based products, and noodles, rose 3.2%, to ¥759.7 billion, and sales of daily food items, which include bread, pastries, and milk and other dairy products, were up 0.7%, to ¥334.3 billion. Sales of nonfood products, which include cigarettes and sundries, were up 19.3%, to ¥881.3 billion. Moreover, *Seven-Eleven Net* supplements the in-store lineup with a wide range of about 3,000 products, including alcoholic beverages, and enables products purchased online to be picked up at stores. In these ways, SEJ focused on the upgrade and expansion of services that can be used more conveniently by customers who visit a Seven-Eleven store every day.

Overseas, for 7-Eleven, Inc. (SEI), which operates 6,196 stores in North America as of the end of December 2008, the retail environment was challenging, including a rapid decline in economic conditions, dramatic fluctuations in gasoline prices, and higher merchandise prices. In this setting, SEI continued to focus on the development and sales of differentiated products, such as hot food products and private-brand products. Consequently, net sales increased on a U.S. dollar basis. However, the average exchange rate, of ¥103.48 to U.S.$1.00, reflected the appreciation of the yen, and net sales declined 5.3%, to ¥1,725.9 billion. In China, SEVEN-ELEVEN (BEIJING) had 72 stores in Beijing as of the end of December 2008, and sales recorded favorable results, centered on fast food products. SEVEN-ELEVEN CHINA, which was established in April 2008, moved ahead with preparations for the development of stores through area licensees (companies with a license to operate Seven-Eleven stores in a limited region) in China.

Consequently, although SEJ and SEI recorded favorable sales, because the appreciation of the yen was reflected in the exchange rate used in the consolidation of the accounts of SEI, revenues from operations in convenience store operations were ¥2,308.7 billion, a decline of 3.6% from the previous fiscal year. In addition to an increase in income at SEJ, SEI recorded a substantial increase in profits that offset the negative effect of the appreciation of the yen, and as a result operating income was ¥213.4 billion, an increase of 6.1% from the previous fiscal year.

Ito-Yokado is the core operating company in superstore operations. Because the lineups of products that customers prefer differ in accordance with such factors as catchment area, location, and store scale, Ito-Yokado worked to determine the needs of local customers and to reflect those needs in the creation of sales areas in order to implement a thorough store-by-store response. Moreover, as the economic situation has worsened, customers are increasingly focused on maintaining their standards of living, and consequently consumption patterns are changing substantially. In this environment, we opened THE PRICE stores, a new discount store format with lineups centered on daily foods and products frequently used in daily life. Furthermore, the Internet-based business market is showing steady growth even in an environment marked by sluggish consumption, and the membership of *Net Supermarket* has expanded and recorded favorable progress. Despite the implementation of these initiatives, Ito-Yokado's net sales were down 1.9%, to ¥1,436.5 billion. By product category, apparel sales in the year under review were down 4.5%, to ¥265.7 billion; sales of household goods declined 6.9%, to ¥236.0 billion; and sales of food rose 1.5%, to ¥680.6 billion.

Ito-Yokado opened Ario Otori, its seventh mall-type shopping center, and the Ito-Yokado Honmoku store, a neighborhood shopping center, and closed 3 stores. Consequently, Ito-Yokado had 175 stores at the end of the fiscal year.

As a result, revenues from operations in superstore operations were ¥2,125.0 billion, an increase of 0.8% from the previous fiscal year, and operating income was ¥24.7 billion, a decline of 27.4% from the previous fiscal year.

In department store operations, we took steps to promote customer-focused store management closely linked to local communities. Sogo Hachioji was reopened in March 2008 after a complete remodeling, and in October 2008, we remodeled the sales area for women's miscellaneous goods and for young and working women's fashion, which is one of the key sales areas of the SEIBU Ikebukuro flagship store. In addition, we began initiatives targeting an enhanced response to needs for daily-use items through the provision of products that are not available under traditional department store merchandising. Nonetheless, the operating environment was more difficult than expected, and sales were sluggish. Consequently, revenues from operations in department store operations were ¥993.9 billion, a decline of 3.1% from the previous fiscal year, and operating income was ¥18.3 billion, down 28.8% from the previous fiscal year.

In the restaurant division, which is the core division in food services, we took steps to activate existing stores, such as bolstering the number of menu items offered at reasonable prices and improving customer service. At the same time, we worked to improve profitability by closing unprofitable stores and cutting operating costs. As a result of such measures as reevaluating menu items and prices, the number of customers followed a recovery trend, but the operating environment in the restaurant industry continued to be challenging, and sales were sluggish.

Consequently, revenues from operations in food services were ¥102.7 billion, a decrease of 9.9% from the previous fiscal year, and operating loss was ¥2.9 billion, compared with operating loss of ¥4.2 billion in the previous fiscal year.

Seven Bank, which develops ATM operations, installed ATMs in Group stores, including the installation of a second ATM in Seven-Eleven stores with a high number of ATM users. In addition, it also proceeded with installations in locations outside the Group, such as at airports, hotels, hospitals, and expressway parking service areas. As a result, the ATM network recorded smooth growth. Seven Bank also took steps to promote the upgrade and expansion of services that raise the convenience of ATMs, such as expanding alliances with financial institutions at which IC cards can be used. Consequently, at the end of February 2009, Seven Bank had 13,755 installed ATMs, an increase of 738 installed ATMs from the end of the previous fiscal year, and the daily average transactions per ATM during the fiscal year was strong, reaching 114.0 transactions, an increase of 5.7 transactions from the previous fiscal year.

IY Card Service, which develops credit card operations, continued to focus on credit card operations while working to expand *nanaco* electronic money both inside and outside the Group. At the end of the fiscal year, the number of stores at which *nanaco* could be used had expanded to about 23,000 stores. Moreover, IY Card Service took steps to further increase the convenience of its services. It began to provide QUICPay postpaid electronic money services with the *nanaco* card, as well as to enable the use of the IY Card credit card to charge the *nanaco* card. It also took Groupwide measures, including the launch in June 2008 of a service under which *nanaco* points are awarded for transactions on Seven Bank accounts.

Consequently, revenues from operations in financial services operations were ¥124.9 billion, an increase of 5.9% from the previous fiscal year, and operating income was ¥25.5 billion, an increase of 20.9% from the previous fiscal year.

Income Before Income Taxes

In other income (expenses), net other expenses increased to ¥66,751 million, from ¥53,646 million in the previous fiscal year. Due in part to an increase in impairment loss on property and equipment, income before income taxes and minority interests declined ¥12,327 million, to ¥215,115 million.

Net Income

Income taxes were ¥113.9 billion, up ¥25.6 billion from the previous fiscal year. After application of tax effect accounting, the effective tax rate was 52.9%. As a result, net income was ¥92.3 billion, a decrease of ¥38.3 billion. Net income per share was ¥100.54, a decrease of ¥36.49 per share from ¥137.03 per share in the previous fiscal year.

ANALYSIS OF FINANCIAL POSITION

Assets, Liabilities, and Net Assets

In the year under review, SEVEN-ELEVEN CHINA, Seven & i Netmedia, and Seven Culture Network were added to the scope of consolidation.

Total assets declined ¥159.6 billion, to ¥3,727.1 billion. At Seven Bank, ATM-related temporary payments, which are included in other current assets, rose ¥57.9 billion because the last day of February was a Saturday, while call loans declined ¥13.5 billion. Due in part to these factors, total current assets were up ¥42.7 billion, to ¥1,397.1 billion.

In property and equipment, there was a decline due to the sale of non-current assets and the recording of impairment loss. In addition, the influence of the appreciation of the yen led to an SEI-related assets decline. As a result, property and equipment, net, declined ¥114.7 billion. In intangible assets, amortization of goodwill was recorded and goodwill associated with SEI declined due to the appreciation of the yen. As a result, intangible assets declined ¥44.2 billion. Investments in securities declined ¥19.9 billion due to valuation loss related to securities of CREDIT SAISON held by SEIBU. Long-term leasehold deposits were down ¥18.5 billion, due in part to a transfer to short-term leasehold deposits at Ito-Yokado. As a result, total non-current assets declined ¥202.3 billion from a year earlier, to ¥2,330.0 billion.

Total liabilities rose ¥37.7 billion, to ¥1,866.4 billion. Due to repayments, the total of long-term loans and short-term loans declined ¥47.5 billion. In bonds, the Company issued ¥100.0 billion in bonds in July 2008 and Seven Bank repaid ¥15.0 billion in bonds in December 2008. Due in part to these factors, the total of bonds increased ¥83.7 billion. On the other hand, deposits received in banking business increased ¥23.5 billion.

Total net assets decreased ¥197.4 billion, to ¥1,860.7 billion. Retained earnings were reduced ¥51.1 billion by cash dividend payments and increased ¥92.3 billion by net income for the year. As a result, retained earnings increased ¥41.1 billion. Capital surplus declined ¥155.5 billion, due primarily to the cancellation of treasury stock. Foreign currency translation adjustments, due in part to the influence of the appreciation of the yen, principally at SEI, declined ¥79.4 billion.

Consequently, net assets per share were down ¥105.90 from a year earlier, to ¥1,975.95, and the owners' equity ratio declined to 47.9%, from 51.1% a year earlier.

Cash Flows

Cash and cash equivalents (hereafter "cash") were provided by operations with high revenue and profit-generating capacity, centered on convenience store operations. However, the Company used cash to open new stores, remodel existing stores, and acquire treasury stock. As a result, cash declined ¥4.3 billion, to ¥663.5 billion at year-end.

Net cash provided by operating activities was ¥310.0 billion, down ¥155.4 billion from a year earlier. Income before income taxes and minority interests was down ¥12.3 billion, and net decrease in call loan in banking business declined by ¥94.3 billion.

Net cash used in investing activities was ¥139.6 billion, a decline of ¥97.6 billion from the previous fiscal year. Acquisition of property and equipment, principally for new store openings and store renovations, declined ¥29.9 billion. Proceeds from withdrawal of time deposits and proceeds from withdrawal of negotiable certificates of deposits totaled ¥126.9 billion.

Net cash used in financing activities was ¥169.8 billion, an increase of ¥39.6 billion from the previous fiscal year. Proceeds from issuance of bonds were ¥99.6 billion, and payment for acquisitions of treasury stock was ¥158.1 billion.

Risk Factors

The Seven & i Group has established the framework under which it implements a Group-wide risk assessment survey to recognize potential risks through identifying and evaluating risks in an integrated and comprehensive manner on a regular basis. Based on that recognition, it prioritizes these risks, takes countermeasures that correspond to the materiality and urgency of each risk, and seeks continuous improvements through monitoring of the progress of such countermeasures.

The Seven & i Group is exposed to a variety of risks and uncertainties in conducting its business, which may have a significant influence on the judgment of investors, including, but not limited to, the following. Please keep in mind that many of these risks are interdependent and the occurrence of one risk may lead to an increase in other risks in quality and quantity.

Any of these risks may affect its business performance, and financial condition.

Recognizing the potential for these risks, the Seven & i Group strives to take measures to prevent risks from materializing, while taking other effective measures to promptly and adequately respond to risks when they materialize.

This section includes forward-looking statements and future expectations as of the date of this annual report.

1. Risks Related to Economic Conditions

Japanese and Global Economies

The Seven & i Group carries on its mainstay operations in Japan, but also has operations around the world. As a result, economic conditions such as the business climate and trends in consumer spending in Japan as well as in other countries and regions where Seven & i Group does business, may affect the Seven & i Group's operating results and financial condition. To cater appropriately to the needs of consumers, the Seven & i Group is actively selling and developing products in accordance with sales strategies. However, unexpected changes in consumer behaviors due to such external factors as economic policies or unseasonable weather may affect its business performance and financial condition.

Interest Rate Fluctuations

The Seven & i Group is exposed to interest rate fluctuation risks that may affect the interest expenses, interest income, and the value of financial assets and liabilities. Accordingly, interest rate fluctuations may affect its business performance and financial condition.

Foreign Exchange Rate Fluctuations

Foreign exchange rate changes can affect the yen value of assets and liabilities of the Seven & i Group's overseas Group companies because the Company's consolidated financial statements are presented in Japanese yen. In addition, products sold by the Seven & i Group include products that are sourced overseas and affected by changes in foreign exchange rates. Accordingly, foreign exchange rate fluctuations may affect its business performance and financial condition.

2. Risks Related to the Seven & i group's Business

GROUP-WIDE RISKS

Procurement of Products, Raw Materials, Etc., and Fluctuations in Purchase Prices

The Seven & i Group's operations depend on obtaining products, raw materials, and other supplies in adequate quality and quantity in a timely manner. The Seven & i Group strives to decentralize its operations to avoid significant dependence on specific producing areas, suppliers, products, technologies, etc. However, the disruption of procurement routes may affect its operations. In addition, there are products in the Seven & i Group's product lineups whose purchase prices change due to external factors, including products affected by fluctuations in the prices of such raw materials as crude oil. Accordingly, fluctuations in purchase prices may affect its business performance and financial condition.

Product Safety and Representations

The Seven & i Group endeavors to provide customers with safe products and accurate information through the enhancement of food hygiene-related equipment and facilities based on relevant laws and regulations, the implementation of a stringent integrated product management system that includes suppliers, and the establishment of a system of checks. However, the occurrence of a problem beyond the scope of the Seven & i Group's measures could reduce public trust in its products and incur costs stemming from countermeasures. If such is the case, its business performance and financial condition could be affected. Further, the occurrence of a major incident that involves its products and leads to product recalls or product liability claims could affect its business performance and financial condition.

Store Opening Strategy

The Seven & i Group's opening of stores is subject to various laws and regulations, such as the Large-Scale Retail Store Location Law, the City Planning Law, and the Building Standards Law. In the event that those laws are amended or local authorities change related regulations, it may become difficult to open stores in accordance with initially prepared store opening plans or remodel existing stores, there may be a decline in potential candidate areas for future store openings, or costs related to legal or regulatory compliance may be incurred. If such is the case, its business performance and financial condition may be affected.

Also, regarding the stores securitized, in the event that repurchases of leasehold properties occur due to such external factors as changes in real estate prices or interest rates, etc., its business performance and financial condition could be affected.

M&As, Alliances, and Strategic Investments

The Seven & i Group develops new businesses and reorganizes its operations by M&A, forming alliances or joint ventures with other companies, etc. However, the Seven & i Group may not be able to achieve expected results or the strategic objectives of these investments. If such is the case, its business performance and financial condition may be affected.

Credit Management

The Seven & i Group, in leasing stores, has paid deposits and/or guarantee deposits to store lessors. Deterioration in the economic condition of the store lessors or a drop in the value of the collateral properties received as a pledge for the deposits and/or guarantee deposits may affect its business performance and financial condition.

Impairment of Fixed Assets

The Seven & i Group has many non-current assets, including property and equipment and goodwill, etc. The Seven & i Group has already adopted asset impairment accounting. However, further recognition of asset impairment may become necessary due to deterioration in profitability of stores or a drop in the market value of the assets. If such is the case, its business performance and financial condition may be affected.

RISKS BY SEGMENT

Convenience Store Operations

The Seven & i Group's convenience store operations are primarily organized under a franchise system and chain operations are conducted under the identical name, Seven-Eleven. The franchise system is a joint enterprise in which franchised stores and the Seven & i Group fulfill their respective roles based on an equal partnership and a relationship of trust. In the event that agreements with numerous franchised stores become unsustainable because either the Seven & i Group or the franchised stores did not fulfill their respective roles, its business performance could be affected.

In its convenience store operations, the Seven & i Group has sought to cater to constantly changing customer needs by working with business partners to innovate production, distribution, sales, and their supporting information systems to realize differentiated, high-quality products and to create convenient services that support everyday life. The unique operational infrastructure of convenience store operations is built in collaboration with business partners that have a shared commitment to the franchise system. Consequently, if the Seven & i Group were no longer able to maintain operational relationships with business partners in its convenience store operations or if business partners' technical capabilities declined conspicuously, business performance and financial condition could be affected.

Seven-Eleven has grown into a global chain with more than 36,000 stores in 15 countries and regions around the world, including stores outside the Seven & i Group that operate under the area license agreements with 7-Eleven, Inc. A reduction in royalties or sales resulting from misconduct by area licensees that do not belong to the Seven & i Group or by stores operated by area licensees could affect its business performance and financial condition.

Superstore Operations

The Seven & i Group's superstore operations mainly comprise superstores and food supermarkets. In order to respond appropriately to the changes in consumer needs due to consumption saturation and economic slowdown, the Seven & i Group is undertaking merchandising innovation and structural reform under which it focuses on revitalizing existing stores, advancing conversion to store formats that meet changes in the conditions of locations or area market needs, and steadily closing unprofitable stores. However, the Seven & i Group may not attain their objectives completely because of such unforeseen factors as changes in the operating environment. If such is the case, its business performance and financial condition may be affected.

Department Store Operations

Millennium Retailing, SEIBU, and Sogo—which form the core of the Seven & i Group's department store operations—are scheduled to merge on August 1, 2009, in order to flexibly cater to changes in customer needs and market trends, and to fulfill a commitment to an on-site orientation that reflects the seamless integration of stores and the head office. Through the merger, the Seven & i Group intends to increase business efficiency, introduce a "Unified Operating Zone Strategy" that integrates key stores and multiple branch stores into one integrated network, focus management resources on the SEIBU Ikebukuro flagship store, and reinforce the Group's synergies. However, the Seven & i Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Food Services

In its food services, the Seven & i Group are striving to maximize integration synergies through the merger of three companies, which operate restaurants, meal provision services, and fast food, and pressing ahead with business reorganization mainly through closing unprofitable stores. However, the Seven & i Group may not attain its objectives completely because of such unforeseen factors as changes in business environments. If such is the case, its business performance and financial condition may be affected.

Financial Services

The Seven & i Group conducts financial services operations, including banking and credit card operations.

Seven Bank owes its revenues mainly to ATM operations. As such, the growing use of alternatives to cash for settlement, intensifying competition for ATM services, the peaking out of ATM network expansion, and the materializing liquidity risk of business partners resulting from their worsening business conditions may affect its business performance and financial condition.

In its credit card operations, the Seven & i Group are striving to provide customers with highly convenient financial services integrated with retail services through issuing and promoting the use of the *IY Card* credit card and *nanaco* electronic money. However, regarding credit card operations, an increase in the default rate or unexpected default losses, etc., may affect our business performance and financial condition. Regarding electronic money operations, the Seven & i Group has built an original system and worked to achieve differentiation, but the rapid spread of electronic money in Japan has been accompanied by such qualitative changes as increased versatility, etc. In the event that the Seven & i Group fails to maintain its competitiveness, its business performance and financial condition may be affected.

3. Legal Restrictions and Litigation

Changes in Accounting Standards and Tax Systems

The introduction of new accounting standards or tax systems, or changes thereof, which the Seven & i Group cannot predict, could affect its business performance and financial condition.

Environmental Regulations or Issues

The Seven & i Group is subject to a variety of environment-related laws and regulations, such as those relating to food recycling, containers and packaging recycling, waste management, and global warming countermeasures. These laws and regulations may become more stringent or additional laws and regulations may be adopted in the future, which may cause the Seven & i Group to incur additional compliance costs or restrict its operating activities.

Litigation and Regulatory Actions

The Seven & i Group is exposed to the risk that it will be subject to various legal procedures stemming from the lawsuits, etc., or regulatory authorities in regard to the execution of its business activities.

Currently, no lawsuits that significantly affect the Seven & i Group's performance have been filed against the Seven & i Group. However, if decisions unfavorable to the Seven & i Group result from lawsuits with a potentially significant effect on business results or social standing, its business performance and financial condition may be affected.

Also, a substantial legal liability or adverse regulatory outcome and the substantial cost to defend the litigation or regulatory proceedings due to the implementation of stricter laws and regulations or stricter interpretations, may affect its business performance, financial condition and reputation.

Leaks of Confidential Information

In the normal course of business, such as financial services, the Seven & i Group holds confidential information about customers regarding privacy, credit worthiness, and other information—including personal information—as well as confidential information about companies and other third parties. Such information could be leaked inadvertently or deliberately, and any material leakage of confidential information may face damage liability claims and/or damage the Seven & i Group's social trust. Moreover, there is a risk that the Seven & i Group's trade secrets could be leaked by misappropriation or negligence. If such is the case, its business performance and financial condition could be affected.

4. Risks Related to Disasters or Unpredictable Events

Influence of Disasters, etc.

The Seven & i Group's head office, stores, and facilities for mainstay operations are located in Japan. The Seven & i Group also operates businesses around the world. If major disasters such as earthquakes, fires, and floods, or illegal activities such as wars and terrorist attacks occur, the Seven & i Group's stores and facilities could be seriously damaged, which leads to a halt of business activities or incurring expenses related to such damages. If such is the case, its business performance and financial condition could be affected. In particular, the occurrence of a large natural disaster in the Tokyo metropolitan area, where stores for mainstay operations including convenience store operations and superstore operations are concentrated, could likely have a significant effect.

In addition, as network and information systems have become increasingly important to the Seven & i Group's operating activities, network and information system shutdowns caused by such unforeseen events as power outrages, disasters, terrorist attacks, hardware or software defects, computer viruses, and computer hacking could impede store operations, which could affect its business performance and financial condition.

Pandemic of Infectious Diseases, Such as New Strain of Influenza

According to experts, it is likely that a new strain of influenza, which has never infected human beings, will prevail globally. The Seven & i Group operates retail businesses as core operations which play a role as a lifeline. The Seven & i Group has come up with business continuity plans in response to pandemic of such infectious diseases as a new strain of influenza. However, according to the development of a pandemic phase, the Seven & i Group could take such appropriate measures as shortening of operating hours or limitation of open stores, etc. If such is the case, its business performance and financial condition could be affected.

5. Other Risks

Retirement Benefit Obligations and Retirement Benefit Expenses

The Seven & i Group calculates retirement benefit obligations and retirement benefit expenses based on assumptions such as the discount rates and the expected rates of return on plan assets. However, unexpected changes in such underlying factors as domestic and international share prices, foreign exchange rates, or interest rates, deterioration in the return on plan assets due to such changes, or changes in the general pension system may affect its business performance and financial position.

Deferred Tax Assets

Some of the Seven & i Group companies record deferred tax assets based on estimates of future taxable income or the time period within which the underlying temporary differences become taxable or deductible. However, if estimates of taxable income were lowered due to worsening business climate and other significant changes, the Seven & i Group may be required to reduce the amount of its deferred tax assets, resulting in an affect on its business performance and financial condition.

Brand Image

The occurrence of the risk events itemized in this section or misconduct on the part of subsidiaries, affiliates, or franchised stores could damage its overall brand image. As a result, consumers' trust in the Seven & i Group could diminish, the Seven & i Group could lose personnel, or personnel could be difficult to secure, which could affect its business performance and financial condition.

Consolidated Balance Sheets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries at February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
ASSETS	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥ 663,484	¥ 667,770	$ 6,770,245
Notes and accounts receivable:			
Trade	116,903	128,852	1,192,888
Financial services	78,043	75,742	796,357
Franchisees and other	56,522	42,221	576,755
Allowance for doubtful accounts	(4,322)	(2,987)	(44,102)
	247,146	243,828	2,521,898
Inventories	169,534	169,026	1,729,939
Deferred income taxes (Note 9)	28,656	35,730	292,408
Prepaid expenses and other current assets (Note 15)	288,282	238,063	2,941,653
Total current assets	1,397,102	1,354,417	14,256,143
Property and equipment, at cost (Notes 6, 7, 12 and 15)	2,378,036	2,485,639	24,265,673
Less: Accumulated depreciation	(1,155,608)	(1,148,497)	(11,791,918)
	1,222,428	1,337,142	12,473,755
Intangible assets:			
Goodwill	318,946	360,349	3,254,551
Software and other (Note 15)	102,701	105,499	1,047,969
	421,647	465,848	4,302,520
Investments and other assets:			
Investments in securities (Notes 4 and 15)	140,150	160,094	1,430,102
Long-term loans receivable	14,271	15,178	145,622
Long-term leasehold deposits (Note 15)	442,417	460,952	4,514,459
Prepaid pension cost (Note 10)	16,486	12,728	168,225
Deferred income taxes (Note 9)	22,966	28,114	234,347
Other	59,886	60,783	611,082
Allowance for doubtful accounts	(10,292)	(8,576)	(105,020)
	685,884	729,273	6,998,817
	¥3,727,061	¥3,886,680	$38,031,235

The accompanying notes are an integral part of these balance sheets.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 3) 2009
Current liabilities:			
Short-term loans (Notes 11 and 15)	¥ 191,100	¥ 149,861	$ 1,950,000
Current portion of long-term debt (Notes 11 and 15)	155,260	153,750	1,584,286
Notes and accounts payable:			
Trade (Note 5)	194,283	215,897	1,982,480
Trade for franchised stores (Note 17)	103,501	105,505	1,056,133
Other	83,216	87,263	849,142
	381,000	408,665	3,887,755
Accrued expenses	78,622	84,605	802,265
Income taxes payable	53,311	44,774	543,990
Deposits received	120,038	87,205	1,224,878
Deposits received in banking business	165,712	142,206	1,690,939
Allowance for bonuses to employees	15,705	16,109	160,255
Allowance for sales promotion expenses	16,602	21,189	169,408
Allowance for losses on future collection of gift certificates	6,024	6,899	61,469
Other (Note 9)	71,553	62,231	730,133
Total current liabilities	1,254,927	1,177,494	12,805,378
Long-term debt (Notes 11 and 15)	463,350	482,177	4,728,061
Allowance for accrued pension and severance costs (Note 10)	3,511	4,348	35,827
Allowance for retirement benefits to directors and corporate auditors	3,481	4,032	35,520
Deferred income taxes (Note 9)	44,095	62,017	449,949
Deposits received from tenants and franchised stores (Note 15)	60,277	61,535	615,071
Other liabilities (Note 15)	36,747	37,038	374,970
Total liabilities	1,866,388	1,828,641	19,044,776
Commitments and contingent liabilities (Note 15)			
Net assets (Note 13):			
Shareholders' equity:			
Common stock, authorized 4,500,000,000 shares, issued 906,441,983 shares in 2009 and 956,441,983 shares in 2008	50,000	50,000	510,204
Capital surplus	576,075	731,622	5,878,316
Retained earnings	1,246,165	1,205,042	12,715,969
Treasury stock, at cost, 2,982,472 shares in 2009 and 2,954,728 shares in 2008	(9,277)	(6,816)	(94,663)
	1,862,963	1,979,848	19,009,826
Accumulated gains (losses) from valuation and translation adjustments:			
Unrealized gains on available-for-sale securities, net of taxes (Note 4)	248	3,885	2,531
Unrealized losses on hedging derivatives, net of taxes	(622)	(676)	(6,347)
Foreign currency translation adjustments	(77,399)	1,962	(789,786)
	(77,773)	5,171	(793,602)
Subscription rights to shares (Note 14)	391	—	3,990
Minority interests in consolidated subsidiaries	75,092	73,020	766,245
Total net assets	1,860,673	2,058,039	18,986,459
	¥3,727,061	¥3,886,680	$38,031,235

Consolidated Statements of Income

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Revenues from operations:			
Net sales	¥5,094,757	¥5,223,833	$51,987,316
Other operating revenues (Note 18)	555,192	528,560	5,665,225
	5,649,949	5,752,393	57,652,541
Costs and expenses:			
Cost of sales (Note 18)	3,789,599	3,863,848	38,669,377
Selling, general and administrative expenses (Notes 10, 12 and 18)	1,578,484	1,607,457	16,106,980
	5,368,083	5,471,305	54,776,357
Operating income	281,866	281,088	2,876,184
Other income (expenses):			
Interest and dividend income	7,049	6,432	71,928
Interest expenses and interest on bonds	(10,314)	(11,666)	(105,245)
Foreign currency exchange losses	(955)	(2,244)	(9,745)
Equity in (losses) earnings of affiliates	(667)	1,073	(6,806)
Impairment loss on property and equipment (Note 7)	(39,372)	(20,031)	(401,755)
Gain on sales of property and equipment (Note 18)	5,330	7,128	54,388
Loss on disposals of property and equipment (Note 18)	(6,186)	(8,481)	(63,122)
Gain on sales of subsidiary's common stock	—	2,620	—
U.S. federal excise tax refund	—	4,036	—
Gain on increase of the Company's interest in consolidated subsidiaries	—	5,016	—
Gain on donations received (Note 18)	—	1,600	—
Loss on sales of investments in securities	(86)	(17,942)	(878)
Valuation loss on investments in securities	(11,354)	(11,122)	(115,857)
Provision for loss on future collection of gift certificates	—	(7,085)	—
Additional retirement benefits for early retirement	(3,077)	—	(31,398)
Other, net	(7,119)	(2,980)	(72,643)
	(66,751)	(53,646)	(681,133)
Income before income taxes and minority interests	215,115	227,442	2,195,051
Income taxes (Note 9):			
Current	111,231	109,462	1,135,010
Deferred	2,626	(21,223)	26,796
	113,857	88,239	1,161,806
Income before minority interests	101,258	139,203	1,033,245
Minority interests in net income of consolidated subsidiaries	8,921	8,545	91,031
Net income	¥ 92,337	¥ 130,658	$ 942,214

	Yen		U.S. dollars (Note 3)
Per share of common stock:			
Net income (Basic)	¥100.54	¥137.03	$1.03
Net income (Diluted)	100.54	—	1.03
Cash dividends	56.00	54.00	0.57

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2009 and February 29, 2008

	Millions of yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 28, 2007	¥50,000	¥766,186	¥1,124,893	¥(41,310)	¥ (2,100)	¥(371)	¥ 9,500	¥ —	¥62,351	¥1,969,149
Net income for the year			130,658							130,658
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			27							27
Cash dividends			(50,536)							(50,536)
Purchase of treasury stock				(76)						(76)
Sales of treasury stock		2		6						8
Cancellation of treasury stock		(34,566)		34,566						—
Other				(2)						(2)
Net increase (decrease) for the year					5,985	(305)	(7,538)	—	10,669	8,811
Balance at February 29, 2008	50,000	731,622	1,205,042	(6,816)	3,885	(676)	1,962	—	73,020	2,058,039
Net income for the year			92,337							92,337
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			(122)							(122)
Cash dividends			(51,092)							(51,092)
Purchase of treasury stock				(158,019)						(158,019)
Sales of treasury stock		(1)		38						37
Cancellation of treasury stock		(155,546)		155,546						—
Other				(26)						(26)
Net (decrease) increase for the year					(3,637)	54	(79,361)	391	2,072	(80,481)
Balance at February 28, 2009	¥50,000	¥576,075	¥1,246,165	¥ (9,277)	¥ 248	¥(622)	¥(77,399)	¥391	¥75,092	¥1,860,673

	Thousands of U.S. dollars (Note 3)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains (losses) on available-for-sale securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Foreign currency translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total
Balance at February 29, 2008	$510,204	$7,465,530	$12,296,347	$ (69,551)	$39,643	$(6,898)	$ 20,020	$ —	$745,102	$21,000,397
Net income for the year			942,214							942,214
Increase resulting from adoption of U.S. GAAP by U.S. subsidiaries			(1,245)							(1,245)
Cash dividends			(521,347)							(521,347)
Purchase of treasury stock				(1,612,439)						(1,612,439)
Sales of treasury stock		(10)		388						378
Cancellation of treasury stock		(1,587,204)		1,587,204						—
Other				(265)						(265)
Net (decrease) increase for the year					(37,112)	551	(809,806)	3,990	21,143	(821,234)
Balance at February 28, 2009	$510,204	$5,878,316	$12,715,969	$ (94,663)	$ 2,531	$(6,347)	$(789,786)	$3,990	$766,245	$18,986,459

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries for the fiscal years ended February 28, 2009 and February 29, 2008

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes and minority interests	¥215,115	¥227,442	$2,195,051
Depreciation and amortization	140,529	143,643	1,433,969
Impairment loss on property and equipment	39,372	20,031	401,755
(Decrease) increase in allowance for bonuses to employees	(404)	984	(4,122)
Increase in prepaid pension cost	(3,656)	(6,702)	(37,306)
Interest and dividend income	(7,049)	(6,432)	(71,928)
Interest expense and interest on bonds	10,314	11,666	105,245
Foreign currency exchange losses	1,505	790	15,357
Equity in losses (earnings) of affiliates	667	(1,073)	6,806
Gain on sales of property and equipment	(5,330)	(7,128)	(54,388)
Loss on disposals of property and equipment	6,186	8,481	63,122
Gain on sales of subsidiary's common stock	—	(2,620)	—
Gain on increase of the Company's interest in consolidated subsidiaries	—	(5,016)	—
Loss on sales of investments in securities	86	17,942	878
Valuation loss on investments in securities	11,354	11,122	115,857
Decrease (increase) in notes and accounts receivable, trade	9,241	(333)	94,296
Increase in accounts receivable, financial services	(2,301)	(3,167)	(23,480)
(Increase) decrease in inventories	(8,565)	1,464	(87,398)
(Decrease) increase in notes and accounts payable	(14,456)	5,192	(147,510)
Payment for debts in banking business	(11,000)	—	(112,245)
Net increase in deposits received in banking business	23,506	36,037	239,857
Net decrease in call loan in banking business	13,500	107,800	137,755
Net increase in call money in banking business	12,300	—	125,510
Net decrease in ATM-related temporary accounts	(38,217)	(6,071)	(389,969)
Other	26,336	22,340	268,735
Sub-total	419,033	576,392	4,275,847
Interest and dividends received	4,780	4,474	48,775
Interest paid	(10,076)	(11,577)	(102,816)
Income taxes paid	(103,730)	(103,909)	(1,058,469)
Net cash provided by operating activities	310,007	465,380	3,163,337
Cash flows from investing activities:			
Acquisition of property and equipment	(147,432)	(177,358)	(1,504,408)
Proceeds from sales of property and equipment	27,287	20,213	278,439
Acquisition of intangible assets	(12,184)	(16,842)	(124,327)
Payment for purchase of investments in securities	(260,771)	(454,543)	(2,660,929)
Proceeds from sales and maturity of investments in securities	260,488	449,105	2,658,041
Acquisition of investments in subsidiaries	—	(420)	—
Acquisition of investments in newly consolidated subsidiaries	—	(7,108)	—
Proceeds from acquisition of investments in newly consolidated subsidiaries	—	2,359	—
Payment of loans receivable	(540)	(637)	(5,510)
Collection of loans receivable	1,071	2,088	10,929
Payment for long-term leasehold deposits and advances for store construction	(25,622)	(29,758)	(261,449)
Refund of long-term leasehold deposits	33,290	30,925	339,694
Proceeds from deposits from tenants	2,814	5,536	28,714
Refund of deposits from tenants	(3,758)	(3,449)	(38,347)
Payment for time deposits	(29,107)	(28,353)	(297,010)
Payment for negotiable certificates of deposits	(106,000)	(42,000)	(1,081,633)
Proceeds from withdrawal of time deposits	30,893	—	315,235
Proceeds from withdrawal of negotiable certificates of deposits	96,000	—	979,592
Other	(5,998)	13,057	(61,205)
Net cash used in investing activities	(139,569)	(237,185)	(1,424,174)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans	38,239	(39,232)	390,194
Proceeds from long-term debt	27,600	65,870	281,633
Repayment of long-term debt	(116,571)	(67,355)	(1,189,500)
Proceeds from commercial paper	596,066	715,519	6,082,306
Payment for redemption of commercial paper	(599,704)	(725,064)	(6,119,429)
Proceeds from issuance of bonds	99,617	—	1,016,500
Payment for redemption of bonds	(1,218)	(30,390)	(12,429)
Dividends paid	(51,046)	(50,498)	(520,877)
Capital contribution from minority interests	372	435	3,796
Dividends paid for minority interests	(4,364)	(3,240)	(44,531)
Payment for acquisitions of treasury stock	(158,122)	—	(1,613,490)
Proceeds from sales of treasury stock	36	8	367
Proceeds from sales of treasury stock by a subsidiary	—	7,135	—
Other	(660)	(3,325)	(6,734)
Net cash used in financing activities	(169,755)	(130,137)	(1,732,194)
Effect of exchange rate changes on cash and cash equivalents	(4,969)	(422)	(50,704)
Net (decrease) increase in cash and cash equivalents	(4,286)	97,636	(43,735)
Cash and cash equivalents at beginning of year	667,770	570,134	6,813,980
Cash and cash equivalents at end of year	¥663,484	¥667,770	$6,770,245

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Seven & i Holdings Co., Ltd. and its consolidated subsidiaries

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying Consolidated Financial Statements of Seven & i Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the Consolidated Financial Statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The accompanying Consolidated Financial Statements also include the accounts of the Company's foreign consolidated subsidiaries, which have been prepared in accordance with accounting principles generally accepted in their own countries.

The accompanying Consolidated Financial Statements have been restructured and translated into English from the Consolidated Financial Statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying Consolidated Financial Statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of consolidation

The accompanying Consolidated Financial Statements include the accounts of the Company and 83 subsidiaries which, with an exception due to materiality, include Seven-Eleven Japan Co., Ltd., Ito-Yokado Co., Ltd., Millennium Retailing, Inc., Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD., Seven & i Food Systems Co., Ltd., York-Benimaru Co., Ltd., Seven Bank, Ltd. and 7-Eleven, Inc.

SEVEN-ELEVEN CHINA Co., Ltd., Seven & i Netmedia Co., Ltd. and Seven Culture Network Co., Ltd. have been consolidated since 2009 due to the establishment.

On the other hand, consolidated subsidiaries decreased because FUJIKOSHI CO., LTD. merged with its four subsidiaries.

The fiscal year-end of some subsidiaries is December 31. The financial statements of such subsidiaries as of and for the year ended December 31 are used in preparing the Consolidated Financial Statements of the Company. All material transactions during the period from January 1 to February 28 are adjusted for in the consolidation process.

The closing date of a certain subsidiary is March 31. Pro forma financial statements as of the end of February, prepared in a manner that is substantially identical to the preparation of the official financial statements, were prepared in order to facilitate its consolidation.

13 affiliates, which include PRIME DELICA CO., LTD., are accounted for using the equity method. The advance to an affiliate that has negative net assets was reduced. The affiliates which have a different fiscal year-end are included in the Consolidated Financial Statements based on their respective fiscal year-end.

All material intercompany transactions and account balances have been eliminated.

The Company's interest portion in the assets and liabilities of subsidiaries and affiliates was revalued on acquisition, if applicable, and the excess of cost over the underlying net assets at the date of acquisition is recognized as goodwill. On March 29, 2007, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Implementation Guidance No. 15, "Implementation Guidance on Disclosure about Certain Special Purpose Corporation," which was effective for financial years beginning on or after April 1, 2007. The Company has applied the guidance from the fiscal year ended February 28, 2009.

(2) Inventories

Inventories are valued principally at the lower of cost or market. Cost is determined principally by the average retail method for domestic consolidated subsidiaries and by the LIFO method for foreign consolidated subsidiaries.

Supplies are carried at cost, which is mainly determined by the last purchase price method.

(3) Securities

Held-to-maturity debt securities are carried at amortized cost.

Available-for-sale securities are classified into two categories, where: (a) the fair value is available and (b) the fair value is not available.

(a) Securities whose fair value is available are valued at the quoted market price prevailing at the end of the fiscal year. Net unrealized gains or losses on these securities are reported as a separate component of net assets at a net-of-tax amount. Cost of sales is determined using the moving-average method.

(b) Securities whose fair value is not available are valued at cost, determined using the moving-average method.

(4) Derivatives

Derivative financial instruments are valued at fair value.

(5) Property and equipment

Depreciation of property and equipment is computed generally using the declining-balance method for the Company and its domestic consolidated subsidiaries, except for the domestic consolidated subsidiaries in the department store business and using the straight-line method for the domestic consolidated subsidiaries in the department store business and foreign consolidated subsidiaries.

(Supplemental Information)

Effective from the fiscal year ended February 28, 2009, the Company and its domestic consolidated subsidiaries depreciate their property and equipment acquired before April 1, 2007 for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years from the following fiscal year. The impact of this change on the Consolidated Statements of Income is immaterial.

(Change in depreciation method for property and equipment)

In accordance with the amendment of the Corporation Tax Law (Partial Amendment of the Income Tax Law etc., March 30, 2007, Law No. 6 and Partial Amendment of the Corporation Tax Enforcement Ordinance, March 30, 2007, Ordinance No. 83), effective from the fiscal year ended February 29, 2008, the Company and its domestic consolidated subsidiaries have changed the depreciation method for those property and equipment acquired on or after April 1, 2007 to the method based on the amended Corporation Tax Law. The impact of this change on the Consolidated Statements of Income is immaterial.

(6) Intangible assets

Intangible assets are amortized using the straight-line method for the Company and its domestic consolidated subsidiaries.

Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.

Goodwill and negative goodwill arising from domestic consolidated subsidiaries are mainly amortized over a period of 20 years on a straight-line basis, or charged to income if immaterial. The difference between the cost of investments and equity in their net assets at the date of acquisition recognized in applying the equity method is treated in the same manner.

The consolidated subsidiaries in the United States carry out an impairment test for goodwill and other intangible assets with indefinite lives in accordance with the provisions of the Statement of Financial Accounting Standard No. 142 "Goodwill and Other Intangible Assets," and decrease the book value if required.

(7) Income taxes

The income taxes of the Company and its domestic consolidated subsidiaries consist of corporate income taxes, inhabitant taxes and enterprise taxes.

Deferred tax accounting is applied.

(8) Allowances

(a) Allowance for doubtful accounts

Allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables and an amount calculated using the actual historical rate of losses.

(b) Allowance for sales promotion expenses

Allowance for sales promotion expenses is provided for the use of points given to customers at the amount expected to be used on the balance sheet date in accordance with the sales promotion point card program. In the department store business, estimated costs of sales for goods to be purchased by coupon tickets issued through the point system are provided for.

(c) Allowance for loss on future collection of gift certificates

Allowance for loss on future collection of gift certificates issued by certain domestic consolidated subsidiaries is provided for collection of gift certificates recognized as income after certain periods from their issuance. The amount is calculated using the historical results of collection.

(Change in accounting standard – allowance for loss on future collection of gift certificates)

Effective from the fiscal year ended February 29, 2008, certain domestic consolidated subsidiaries provide an allowance for loss on future collection of gift certificates in accordance with the "Auditing Treatment concerning Reserve under Special Taxation Measures Law, Reserve under Special Laws, and Reserve for Retirement Benefits to Directors and Corporate Auditors" (The Japanese Institute of Certified Public Accountants, Auditing and Assurance Practice Committee Report No. 42, revised on April 13, 2007).

Previously, certain domestic consolidated subsidiaries recognized gift certificates as income after certain periods from their issuance. By the adoption of the above Auditing Treatment, certain domestic consolidated subsidiaries changed their accounting policies to provide an allowance for loss on future collection of gift certificates after they are recognized as income.

(d) Allowance for bonuses to employees

Allowance for bonuses to employees is provided at the amount expected to be paid in respect of the calculation period ended on the balance sheet date.

(e) Allowance for accrued pension and severance costs
(Prepaid pension cost)

Allowance for accrued pension and severance costs is provided at the amount incurred during the fiscal year, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the fiscal year. The excess amount of the estimated fair value of the plan assets over the estimated present value of projected benefit obligation adjusted by unrecognized actuarial differences at February 28, 2009 is recorded as prepaid pension cost. Also, certain domestic consolidated subsidiaries and consolidated subsidiaries in the United States provide allowance for accrued pension and severance costs. Unrecognized actuarial differences are amortized on a straight-line basis over the period of mainly 10 years from the next year in which they arise which is shorter than the average remaining years of service of the eligible employees. Unrecognized prior service costs are amortized on a straight-line basis over the period of mainly 5 years.

(f) Allowance for retirement benefits to directors and corporate auditors

Allowance for retirement benefits to directors and corporate auditors is provided in accordance with the Company's internal policy. The Company and certain consolidated subsidiaries abolished the program of retirement benefits to directors and corporate auditors, and certain consolidated subsidiaries decided to pay it at the time of their resignation.

(9) Leases

The Company and its domestic consolidated subsidiaries account for finance leases, except those for which ownership of the leased asset is considered to be transferred to the lessee, as operating leases.

Foreign subsidiaries mainly account for finance leases as assets and obligations at an amount equal to the present value of future minimum lease payments, during the lease term.

(10) Hedge accounting

Interest rate swap contracts are utilized as hedging instruments and the related hedged items are loans payable. The Company and its subsidiaries have policies to utilize derivative instruments for the purposes of hedging their exposure to fluctuations in interest rates and reducing finance costs.

The Company and its subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. If interest rate swap contracts are used as hedges and meet certain hedging criteria, the recognition of gains and losses resulting from the changes in fair value of interest rate swap contracts is deferred until the related gains and losses on the hedged items are recognized. However, certain interest rate swap contracts which meet specific hedging criteria are not measured at market value but the differences between the paid and received amount under the swap contracts are recognized and included in interest income or expenses as incurred. The hedge effectiveness for interest rate swap contracts is assessed quarterly except for those that meet specific hedging criteria.

(11) Per share information

Net assets (excluding minority interests in consolidated subsidiaries) and net income per share as of and for the fiscal year ended February 28, 2009 are ¥1,975.95 ($20.16) and ¥100.54 ($1.03) respectively.

Diluted net income per share is ¥100.54 ($1.03) as of February 28, 2009 and not presented as of February 29, 2008 due to not having any dilutive shares.

Net income per share of common stock is computed based on the weight average number of shares of common stock outstanding and diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Basis for the calculation of net income per share for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Net income	¥92,337	¥130,658	$942,214
Less components not pertaining to common shareholders	0	—	0
Net income pertaining to common shareholders	¥92,337	¥130,658	$942,214
Weighted average number of shares of common stock outstanding (shares)	918,389,766	953,496,897	

Cash dividends per share shown in the accompanying Consolidated Statements of Income represent dividends declared as applicable to the year.

(12) Treasury stock

Treasury stock shown in the accompanying Consolidated Balance Sheets includes the portion of the Company's interests in its treasury stock held by affiliates accounted for using the equity method according to Japanese GAAP on the presentation of treasury stock.

(13) Accounting for consumption taxes and excise tax

The Japanese consumption taxes withheld and consumption taxes paid are not included in the accompanying Consolidated Statements of Income. The excise tax levied in the U.S. and Canada is included in the accompanying Consolidated Statements of Income.

(14) Foreign currency translation

All assets and liabilities of the Company and its domestic consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates. Translation gains or losses are included in the accompanying Consolidated Statements of Income.

All balance sheet accounts of foreign subsidiaries are translated into Japanese yen at the exchange rate in effect at the respective balance sheet dates except for shareholders' equity, which is translated at the historical rates. All income and expense accounts are translated at the average exchange rate for the period. The resulting translation adjustments are included in the accompanying Consolidated Balance Sheets under "Foreign currency translation adjustments" and "Minority interests in consolidated subsidiaries."

(15) Cash and cash equivalents

Cash and cash equivalents of the accompanying Consolidated Statements of Cash Flows are comprised of cash on hand, demand deposits and short-term investments with maturities of three months or less from the date of acquisition, that are liquid, readily convertible into cash and are subject to minimum risk of price fluctuation.

(16) Accounting for franchised stores in convenience store operations

7-Eleven, Inc. includes the assets, liabilities, net assets and results of operations of its franchised stores in its consolidated financial statements. Seven-Eleven Japan Co., Ltd. recognizes franchise commission from its franchised stores as revenues and includes it in "Other operating revenues."

(17) Change in Significant Accounting Policies for the Preparation of Consolidated Financial Statements

(Accounting Standard for Business Combinations)

Effective from the fiscal year ended February 29, 2008, the Company and its domestic consolidated subsidiaries adopted "Accounting Standard for Business Combinations" issued by the Business Accounting Council on October 31, 2003, "Accounting Standard for Business Divestitures" (Statement No. 7 issued by the ASBJ on December 27, 2005) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (the Financial Accounting Standard Implementation No. 10 finally revised by the ASBJ on December 22, 2006).

(18) Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

3. U.S. DOLLAR AMOUNTS

The accounts of the Consolidated Financial Statements presented herein are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at the rate of ¥98=US$1, the approximate rate of exchange prevailing on February 28, 2009. The inclusion of such amounts is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or at any other rate.

4. SECURITIES INFORMATION

(1) The following tables summarize the book value and fair value of held-to-maturity debt securities whose fair value is available as of February 28, 2009 and February 29, 2008:

	Millions of yen		
	2009		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥615	¥618	¥3
Total	¥615	¥618	¥3

	Millions of yen		
	2008		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	¥605	¥606	¥1
Debt securities with fair value not exceeding book value	10	10	0
Total	¥615	¥616	¥1

	Thousands of U.S. dollars (Note 3)		
	2009		
TYPE	Book value	Fair value	Difference
Debt securities with fair value exceeding book value	$6,275	$6,306	$31
Total	$6,275	$6,306	$31

(2) The following tables summarize the acquisition cost and book value of available-for-sale securities whose fair value is available as of February 28, 2009 and February 29, 2008:

	Millions of yen		
	2009		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 9,911	¥ 11,725	¥1,814
Debt securities	80,542	80,622	80
Sub-total	90,453	92,347	1,894
Securities with book value not exceeding acquisition cost:			
Equity securities	8,885	7,369	(1,516)
Debt securities	10,994	10,994	—
Sub-total	19,879	18,363	(1,516)
Total	¥110,332	¥110,710	¥ 378

	Millions of yen		
	2008		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	¥ 9,340	¥ 17,783	¥ 8,443
Debt securities	5,522	5,522	0
Sub-total	14,862	23,305	8,443
Securities with book value not exceeding acquisition cost:			
Equity securities	19,127	17,306	(1,821)
Debt securities	92,019	91,996	(23)
Sub-total	111,146	109,302	(1,844)
Total	¥126,008	¥132,607	¥ 6,599

	Thousands of U.S. dollars (Note 3)		
	2009		
TYPE	Acquisition cost	Book value	Net unrealized gains (losses)
Securities with book value exceeding acquisition cost:			
Equity securities	$ 101,133	$ 119,643	$18,510
Debt securities	821,857	822,673	816
Sub-total	922,990	942,316	19,326
Securities with book value not exceeding acquisition cost:			
Equity securities	90,663	75,194	(15,469)
Debt securities	112,184	112,184	—
Sub-total	202,847	187,378	(15,469)
Total	$1,125,837	$1,129,694	$ 3,857

(3) Sales amounts and gain (loss) on sales of available-for-sale securities during the fiscal years ended February 28, 2009 and February 29, 2008 are as follows:

TYPE	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Sales amounts	¥39	¥ 23,786	$398
Gain on sales of available-for-sale securities	18	100	184
Loss on sales of available-for-sale securities	(6)	(17,891)	(61)

(4) The following table summarizes the book value of major securities with no available fair value as of February 28, 2009 and February 29, 2008:

TYPE	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Held-to-maturity debt securities:			
Bonds	¥ 203	¥ 204	$ 2,071
Available-for-sale securities:			
Non-listed securities	18,809	16,926	191,929
Non-listed foreign securities	3,021	3,041	30,827
Debt securities	25	25	255
Negotiable certificates of deposits	52,000	42,000	530,612
Total	¥74,058	¥62,196	$755,694

(5) Redemption schedules of available-for-sale securities with fixed maturities and held-to-maturity debt securities as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen				
	2009				
TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥ 86,542	¥5,688	¥—	¥—	¥ 92,230
Corporate bonds	203	—	—	—	203
Debt securities	25	—	—	—	25
Negotiable certificates of deposits	52,000	—	—	—	52,000
Total	¥138,770	¥5,688	¥—	¥—	¥144,458

	Millions of yen				
	2008				
TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	¥ 97,518	¥615	¥—	¥—	¥ 98,133
Corporate bonds	4	200	—	—	204
Debt securities	25	—	—	—	25
Negotiable certificates of deposits	42,000	—	—	—	42,000
Total	¥139,547	¥815	¥—	¥—	¥140,362

	Thousands of U.S. dollars (Note 3)				
	2009				
TYPE	Within one year	Over one year within five years	Over five years within ten years	Over ten years	Total
Governmental and municipal bonds, etc.	$ 883,082	$58,041	$—	$—	$ 941,123
Corporate bonds	2,071	—	—	—	2,071
Debt securities	255	—	—	—	255
Negotiable certificates of deposits	530,612	—	—	—	530,612
Total	$1,416,020	$58,041	$—	$—	$1,474,061

(6) Investments in affiliates included in "Investments in securities" in the accompanying Consolidated Balance Sheets as of February 28, 2009 and February 29, 2008 are ¥6,563 million ($66,969 thousand) and ¥6,074 million, respectively.

5. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have policies to use interest rate swap contracts, forward currency exchange contracts and currency swap contracts only for the purposes of mitigating the risk of fluctuations in interest rates and foreign currency exchange rates and reducing finance costs. The Company and its consolidated subsidiaries do not hold or issue derivative instruments for trading or speculative purposes. Currency-related transactions and interest rate swap contracts include the market risk of fluctuations in foreign currency exchange rates and interest rates, respectively. The risk of non-performance is considered to be low as the contracts are entered into with prestigious financial institutions. The responsible departments in the Company and its consolidated subsidiaries enter into and control these contracts in accordance with the respective internal policies. The estimated unrealized gains and losses from these contracts as of February 28, 2009 and February 29, 2008 are summarized in the following tables. The estimated fair values of these contracts are based on values prepared by financial institutions.

Derivative transactions to which hedge accounting has been applied are excluded from this disclosure.

(1) Currency-related transactions

	Millions of yen			
	2009			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	¥ 5,378	¥ —	¥5,677	¥ 299
Buy Euro	89	—	86	(3)
Currency swap contracts:				
U.S. dollar	¥12,684	¥866	¥1,907	¥1,907

	Millions of yen			
	2008			
	Contract amount		Estimated fair value	Unrealized (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	¥ 4,775	¥ —	¥4,498	¥ (277)
Buy Euro	182	—	179	(3)
Currency swap contracts:				
U.S. dollar	¥24,502	¥12,684	¥2,414	¥(2,414)

	Thousands of U.S. dollars (Note 3)			
	2009			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Forward exchange contracts:				
Buy U.S. dollar	$ 54,878	$ —	$57,929	$ 3,051
Buy Euro	908	—	878	(30)
Currency swap contracts:				
U.S. dollar	$129,429	$8,837	$19,459	$19,459

(2) Interest-rate-related transactions

	Millions of yen			
	2009			
	Contract amount		Estimated fair value	Unrealized losses
	Total	Over one year		
Interest rate swap contracts:				
Receive fixed / Pay float	¥10,000	¥10,000	¥(3)	¥(3)

	Millions of yen			
	2008			
	Contract amount		Estimated fair value	Unrealized gains (losses)
	Total	Over one year		
Interest rate swap contracts:				
Receive float / Pay fixed	¥36,000	¥ —	¥76	¥76
Receive fixed / Pay float	10,000	10,000	(35)	(35)

	Thousands of U.S. dollars (Note 3)			
	2009			
	Contract amount		Estimated fair value	Unrealized losses
	Total	Over one year		
Interest rate swap contracts:				
Receive fixed / Pay float	$102,041	$102,041	$(31)	$(31)

6. PROPERTY AND EQUIPMENT

Property and equipment at February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings and structures	¥1,357,752	¥1,395,649	$13,854,612
Furniture, fixtures and other	455,113	475,550	4,644,010
	1,812,865	1,871,199	18,498,622
Less: Accumulated depreciation	(1,155,608)	(1,148,497)	(11,791,918)
	657,257	722,702	6,706,704
Land	525,023	561,205	5,357,378
Construction in progress	40,148	53,235	409,673
Total	¥1,222,428	¥1,337,142	$12,473,755

7. IMPAIRMENT LOSS ON PROPERTY AND EQUIPMENT

For the fiscal years ended February 28, 2009 and February 29, 2008, the Company and its consolidated subsidiaries recognized ¥39,372 million ($401,755 thousand) and ¥20,031 million of impairment loss, respectively, on the following groups of assets.

Fiscal year ended February 28, 2009:

Description	Classification	Location	Millions of yen	Thousands of U.S. dollars (Note 3)
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 53 stores Osaka Pref. 38 stores Others (including U.S.)	¥37,353	$381,153
Stores (Superstores)	Land and buildings, etc.	Tokyo Met. 5 stores Kanagawa Pref. 4 stores Others 20 stores		
Stores (Department stores)	Land and buildings, etc.	Tokyo Met. 1 store Osaka Pref. & others 1 store		
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 214 stores		
Other facilities, etc.	Land and buildings, etc.	Osaka Pref. U.S. & others	2,019	20,602
Total			¥39,372	$401,755

Fiscal year ended February 29, 2008:

Description	Classification	Location	Millions of yen
Stores (Convenience stores)	Land and buildings, etc.	Tokyo Met. 70 stores Kanagawa Pref. 39 stores Others (including U.S.)	¥18,403
Stores (Superstores)	Land and buildings, etc.	Fukushima Pref. 14 stores Saitama Pref. 5 stores Others 15 stores	
Stores (Department stores)	Buildings and structures, etc.	Osaka Pref. 1 store Kanagawa Pref. 1 store	
Stores (Food services)	Land and buildings, etc.	Tokyo Met. & others 130 stores	
Other facilities, etc.	Buildings and software, etc.	Osaka Pref. U.S. & others	1,628
Total			¥20,031

The Company and its domestic consolidated subsidiaries group their fixed assets by store, which is the minimum cash-generating unit. The book values of stores whose land had significantly declined in market prices or which incurred consecutive operating losses were reduced to recoverable amounts, and such deducted amount was recorded as impairment loss.

A breakdown of impairment loss for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

Fiscal year ended February 28, 2009:

	Millions of yen			Thousands of U.S. dollars (Note 3)
Classification	Stores	Other facilities, etc.	Total	
Buildings and structures	¥18,809	¥ 154	¥18,963	$193,500
Land	15,879	134	16,013	163,398
Software	26	477	503	5,133
Other	2,639	1,254	3,893	39,724
Total	¥37,353	¥2,019	¥39,372	$401,755

Fiscal year ended February 29, 2008:

Classification	Millions of yen Stores	Other facilities, etc.	Total
Buildings and structures	¥10,305	¥ 13	¥10,318
Land	5,851	—	5,851
Software	0	1,574	1,574
Other	2,247	41	2,288
Total	¥18,403	¥1,628	¥20,031

In the case where net selling prices were used as recoverable amounts, relevant assets were evaluated based on real estate appraisal standards, and in the case where values in use were used as recoverable amounts, relevant assets were evaluated by discounting estimated future cash flows to which the 2.9%–6.0% discount rates in 2009 and the 3.1%–6.0% in 2008 were applied.

8. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Summary of net assets (assets and liabilities) and net payment for (net receipt from) the acquisition of shares of companies newly included is as follows:

Fiscal year ended February 29, 2008:

THE LOFT Co., Ltd. ("THE LOFT")	Millions of yen 2008
Current assets	¥10,097
Non-current assets	5,519
Goodwill	8,263
Current liabilities	(9,972)
Non-current liabilities	(753)
Minority interests	(1,431)
Sub-total	11,723
Carrying value of investment in THE LOFT under equity method at the time that the Company acquired majority of voting rights	(1,748)
Acquisition cost	9,975
Cash and cash equivalents of THE LOFT	(3,260)
Payment for the acquisition of investments in THE LOFT	¥ 6,715

Akachan Honpo Co., Ltd. ("Akachan Honpo")	Millions of yen 2008
Current assets	¥14,723
Non-current assets	23,783
Goodwill	(1,295)
Current liabilities	(25,406)
Non-current liabilities	(9,403)
Minority interests	(1,167)
Acquisition cost	1,235
Cash and cash equivalents of Akachan Honpo	(3,563)
Proceeds from acquisition of investments in Akachan Honpo	¥ (2,328)

(2) Major non-cash transaction

	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 3) 2009
Finance lease obligation for property and equipment recorded for the fiscal year	¥2,072	¥634	$21,143

9. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to a number of different taxes based on income which, in aggregate, indicate statutory rates of approximately 40.7% for the fiscal years ended February 28, 2009 and February 29, 2008.

The significant components of deferred tax assets and liabilities as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Deferred tax assets:			
Inventory reserve	¥ 2,170	¥ 2,616	$ 22,143
Allowance for bonuses to employees	6,384	6,529	65,143
Allowance for sales promotion expenses	4,298	8,160	43,857
Accrued payroll	3,032	3,720	30,939
Allowance for retirement benefits to directors and corporate auditors	1,666	1,762	17,000
Allowance for accrued pension and severance costs	372	331	3,796
Allowance for loss on future collection of gift certificates	2,626	2,797	26,796
Depreciation and amortization	12,189	9,112	124,378
Tax loss carried forward	41,802	34,939	426,551
Valuation loss on available-for-sale securities	4,388	5,708	44,776
Allowance for doubtful accounts	4,226	3,167	43,122
Unrealized loss on property and equipment	12,654	12,174	129,122
Impairment loss on property and equipment and valuation loss on land	42,931	36,059	438,071
Accrued enterprise taxes and business office taxes	5,373	4,913	54,826
Accrued expenses	10,126	10,145	103,327
Other	12,720	10,252	129,796
Sub-total	166,957	152,384	1,703,643
Less: Valuation allowance	(99,476)	(83,002)	(1,015,061)
Total	67,481	69,382	688,582
Deferred tax liabilities:			
Unrealized gains on property and equipment	(37,287)	(37,285)	(380,480)
Royalties, etc.	(12,291)	(16,391)	(125,418)
Deferred gains on sales of property and equipment	(1,145)	(1,179)	(11,684)
Unrealized gains on available-for-sale securities	(879)	(5,515)	(8,970)
Prepaid pension cost	(6,577)	(4,983)	(67,112)
Other	(1,775)	(2,627)	(18,112)
Total	(59,954)	(67,980)	(611,776)
Net deferred tax liabilities (a)	¥ 7,527	¥ 1,402	$ 76,806

(a) Net deferred tax liabilities are included in the following assets and liabilities:

Current assets–Deferred income taxes	¥ 28,656	¥ 35,730	$ 292,408
Other assets–Deferred income taxes	22,966	28,114	234,347
Current liabilities–Other	—	(425)	—
Non-current liabilities–Deferred income taxes	(44,095)	(62,017)	(449,949)

The reconciliation of the difference between the statutory tax rate and the effective tax rate for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

	2009	2008
Statutory tax rate	40.7%	40.7%
Adjustments:		
Equity in earnings of affiliates	0.1	(0.2)
Amortization of goodwill	2.3	1.9
Non-deductible items, such as entertainment expenses	0.2	0.3
Increase (decrease) in valuation allowance	7.9	(2.6)
Inhabitant taxes per capita	0.7	0.6
Other	1.0	(1.9)
Effective tax rate	52.9%	38.8%

10. RETIREMENT BENEFITS

(1) Summary of the retirement benefit plans

The Company and its domestic consolidated subsidiaries provide two types of defined benefit plan: the employees' pension fund plan and the lump-sum severance payment plan.

Additional retirement benefits for early retirement may be added upon the retirement of the employees. Consolidated subsidiaries in the United States have a defined contribution pension plan and a defined benefit plan.

(2) Projected retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Projected benefit obligations (a)	¥(189,048)	¥(177,922)	$(1,929,061)
Fair value of plan assets (including employee retirement benefit trust)	135,932	178,556	1,387,061
Unrecognized actuarial differences	66,776	9,212	681,388
Unrecognized prior service cost	(685)	(1,466)	(6,990)
Prepaid pension cost, net of allowance for accrued pension and severance costs	12,975	8,380	132,398
Prepaid pension cost	16,486	12,728	168,225
Allowance for accrued pension and severance costs	¥ (3,511)	¥ (4,348)	$ (35,827)

(a) For some of the consolidated subsidiaries, the simplified method is used for computing retirement benefit obligations.

(3) Net periodic benefit cost

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Service cost (a)	¥11,286	¥10,870	$115,163
Interest cost	4,507	4,407	45,990
Expected return on plan assets	(6,213)	(6,682)	(63,398)
Amortization of actuarial differences	1,271	(1,010)	12,970
Amortization of prior year service cost	(750)	(752)	(7,653)
Additional retirement benefits for early retirement	3,132	672	31,959
Net periodic benefit cost (b)	¥13,233	¥ 7,505	$135,031

(a) Net periodic benefit cost of subsidiaries using the simplified method is included.
(b) Besides the above net periodic benefit cost, ¥1,118 million ($11,408 thousand) and ¥1,414 million of benefit cost related to the defined contribution pension plan employed by subsidiaries in the United States were recorded for the fiscal years ended February 28, 2009 and February 29, 2008, respectively.

(4) Assumptions used in accounting for retirement benefit obligations

	2009	2008
Allocation method of estimated total retirement benefits: Mainly	Point basis	Point basis
Discount rate: Mainly	2.0%	2.5%
Consolidated subsidiaries in the United States	6.5%	6.25%
Expected rate of return on plan assets: Mainly	3.5%	3.5%
Periods over which the prior service cost is amortized	5 years or 10 years	5 years or 10 years
Periods over which the actuarial differences are amortized (a): Mainly	10 years	10 years

(a) Actuarial differences are amortized in the year following the year in which the differences are recognized primarily using the straight-line method over the period (mainly 10 years), which is shorter than the average remaining years of service of the employees. Consolidated subsidiaries in the United States have adopted the corridor approach for the amortization of actuarial differences.

11. SHORT-TERM LOANS AND LONG-TERM DEBT

The following summarizes information concerning short-term loans:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Outstanding balance at fiscal year-end:			
Short-term bank loans (a)	¥191,100	¥149,861	$1,950,000
Weighted-average interest rate at year-end:			
Short-term bank loans	1.0%	1.1%	1.0%

(a) The total amounts of short-term loans with collateral as of February 28, 2009 and February 29, 2008 are ¥3,000 million ($30,612 thousand) and ¥2,569 million, respectively (Note 15).

Long-term debt at February 28, 2009 and February 29, 2008 consists of the following:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Outstanding balance at fiscal year-end:			
Loans, principally from banks and insurance companies, due fiscal 2009 to 2023 with interest rates ranging from 0.6% to 7.2% (b)	¥353,038	¥ 441,756	$3,602,429
Seven & i Holdings Co., Ltd.:			
1.48% unsecured straight bonds, due June 20, 2013	39,997	—	408,133
1.68% unsecured straight bonds, due June 19, 2015	29,989	—	306,010
1.94% unsecured straight bonds, due June 20, 2018	29,978	—	305,898
Ito-Yokado Co., Ltd.:			
1.96% unsecured straight bonds, due March 29, 2010	20,000	20,000	204,082
0.65% unsecured straight bonds, due September 18, 2009	50,000	50,000	510,204
Akachan Honpo Co., Ltd.:			
0.42% unsecured straight bonds, due March 31, 2008	—	62	—
0.53% unsecured straight bonds, due March 31, 2010	140	220	1,428
0.96% unsecured straight bonds, due February 20, 2009	—	500	—
0.7% unsecured straight bonds, due March 31, 2009	62	188	633
0.73% unsecured straight bonds, due March 25, 2010	375	625	3,826
1.32% unsecured straight bonds, due March 25, 2011	500	700	5,102
Seven Bank, Ltd.:			
0.88% unsecured straight bonds, due December 10, 2008	—	15,000	—
1.45% unsecured straight bonds, due December 20, 2011	36,000	36,000	367,347
1.67% unsecured straight bonds, due December 20, 2013	24,000	24,000	244,898
7-Eleven, Inc.:			
Commercial paper	18,689	27,446	190,704
Capital lease obligations, due fiscal 2009 to 2029	15,842	19,430	161,653
	618,610	635,927	6,312,347
Current portion of long-term debt	(155,260)	(153,750)	(1,584,286)
	¥463,350	¥ 482,177	$4,728,061

(b) The total amounts of long-term debt with collateral as of February 28, 2009 and February 29, 2008 are ¥138,877 million ($1,417,112 thousand) and ¥214,565 million, respectively (Note 15).

The aggregate annual maturities of long-term debt are as follows:

Fiscal years ending February 28 or 29:	Millions of yen	Thousands of U.S. dollars (Note 3)
2010	¥155,260	$1,584,286
2011	114,960	1,173,061
2012	147,988	1,510,082
2013	16,474	168,102
2014	84,527	862,520
Thereafter	99,401	1,014,296
	¥618,610	$6,312,347

12. LEASES

(1) Finance leases

Finance lease charges to the Company and its consolidated subsidiaries for the fiscal years ended February 28, 2009 and February 29, 2008 are ¥17,855 million ($182,194 thousand) and ¥17,849 million, respectively. The Company and its domestic consolidated subsidiaries' finance lease contracts that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases with appropriate footnote disclosures. "As if Capitalized" information for significant leased assets under the finance lease contracts of the Company and its domestic consolidated subsidiaries as of and for the fiscal years ended February 28, 2009 and February 29, 2008 is as follows:

As lessee:

A summary of assumed amounts of acquisition cost, accumulated depreciation, impairment loss and net book value, including the interest portion, as of February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Furniture, fixtures and equipment:			
Acquisition cost	¥98,588	¥95,023	$1,006,000
Accumulated depreciation	(39,056)	(32,224)	(398,531)
Accumulated impairment loss	(330)	(103)	(3,367)
Net book value	¥59,202	¥62,696	$ 604,102
Software:			
Acquisition cost	¥ 982	¥ 1,775	$ 10,020
Accumulated depreciation	(320)	(629)	(3,265)
Net book value	¥ 662	¥ 1,146	$ 6,755
Lease payments	¥17,855	¥17,849	$ 182,194
Reversal of allowance for impairment loss on leased assets	¥ 124	¥ 91	$ 1,265
Depreciation expense (a) and (b)	¥17,979	¥17,940	$ 183,459
Impairment loss	¥ 210	¥ 4	$ 2,143

(a) Depreciation expense included the interest portion.
(b) Depreciation expense is computed using the straight-line method over the lease term assuming no residual value.

The future lease payments of the Company and its consolidated subsidiaries' finance leases, including the interest portion, as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Due within one year	¥18,675	¥17,802	$190,561
Due over one year	41,518	46,142	423,653
Total	¥60,193	¥63,944	$614,214
Balance of impairment loss account on leased assets included in the outstanding future lease payments	¥ 330	¥ 103	$ 3,367

As lessor:

A summary of acquisition cost, accumulated depreciation and net book value as of February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Furniture, fixtures and equipment:			
Acquisition cost	¥27,008	¥25,801	$275,592
Accumulated depreciation	(14,089)	(12,306)	(143,765)
Net book value	¥12,919	¥13,495	$131,827
Lease income	¥ 4,939	¥ 4,606	$ 50,398
Depreciation expense	¥ 4,547	¥ 4,243	$ 46,398
Interest income (c)	¥ 451	¥ 431	$ 4,602

(c) Allocation of interest income to each period is computed using the interest method.

The future lease income of the Company and its consolidated subsidiaries' finance leases as of February 28, 2009 and February 29, 2008 is as follows:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Due within one year	¥ 4,498	¥ 4,422	$ 45,898
Due over one year	8,825	9,456	90,051
Total	¥13,323	¥13,878	$135,949

(2) Operating leases

The amounts of outstanding future lease payments under lease agreements other than finance leases, including the interest portion, as of February 28, 2009 and February 29, 2008 are as follows:

As lessee:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 3) 2009
Due within one year	¥ 59,652	¥ 66,484	$ 608,694
Due over one year	379,813	422,874	3,875,643
Total	¥439,465	¥489,358	$4,484,337

13. NET ASSETS

Net assets comprise four subsections, which are shareholders' equity, accumulated gains (losses) from valuation and translation adjustments, subscription rights to shares and minority interests in consolidated subsidiaries.

The Japanese Corporate Law (the "Law") became effective on May 1, 2006, replacing the Japanese Commercial Code (the "Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for the fiscal years ending after that date.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying Consolidated Balance Sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by a resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Law.

At the annual shareholders' meeting held on May 28, 2009, the shareholders approved cash dividends amounting to ¥26,201 million ($267,357 thousand). Such appropriations have not been accrued in the Consolidated Financial Statements as of February 28, 2009. Such appropriations are recognized in the period in which they are approved by the shareholders.

14. STOCK OPTIONS

(1) The Company

A. Outline of stock options

	First grant	Second grant
Title and number of grantees	4 directors of the Company	92-member of executive officers of the Company and, directors and executive officers of subsidiaries of the Company
Number of stock options (a)	15,900 common shares	95,800 common shares
Grant date	August 6, 2008	August 6, 2008
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of the Company and subsidiaries
Intended service period	No provisions	No provisions
Exercise period	From May 1, 2009 to August 6, 2028	From August 7, 2009 to August 6, 2038

(a) Number of shares means total shares to be issued upon exercise of subscription rights to shares.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2009. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2009:

Number of stock options

	First grant	Second grant
Before vested		
As of February 29, 2008	—	—
Granted	15,900	95,800
Forfeited	—	1,300
Vested	—	—
Outstanding	15,900	94,500
After vested		
As of February 29, 2008	—	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
Outstanding	—	—

Price information	First grant	Second grant
Exercise price	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)
Average exercise price	—	—
Fair value at the grant date (a)	¥307,000 per subscription to share ($3,133 per subscription to share)	¥311,300 per subscription to share ($3,177 per subscription to share)

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 100 common shares of the Company.

C. Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of First grant of subscription rights to shares and Second grant of subscription rights to shares during the fiscal year ended February 28, 2009 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	First grant	Second grant
Expected volatility of the underlying stock (a)	28.00%	28.00%
Remaining expected life of the option (b)	7 years and 1 month	6 years and 2 months
Expected dividends on the stock (c)	¥54 per share ($0.55 per share)	¥54 per share ($0.55 per share)
Risk-free interest rate during the expected option term (d)	1.198%	1.110%

(a) Calculated based on the actual stock prices during the two years and eleven months from September 1, 2005 to August 6, 2008.
(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from valuation dates to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.
(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended February 29, 2008.
(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

(2) Seven Bank, Ltd.

A. Outline of stock options

	First grant-1	First grant-2
Title and number of grantees	5 directors of Seven Bank, Ltd.	3 executive officers of Seven Bank, Ltd.
Number of stock options (a)	184 common shares	21 common shares
Grant date	August 12, 2008	August 12, 2008
Exercise condition	Within 10 days from the day following the day that a subscription holder loses its position as a director of Seven Bank, Ltd.	Within 10 days from the day following the day that a subscription holder loses its position as a director or executive officer of Seven Bank, Ltd.
Intended service period	No provisions	No provisions
Exercise period	From August 13, 2008 to August 12, 2038	From August 13, 2008 to August 12, 2038

(a) Number of shares means total shares to be issued upon exercise of subscription rights to shares.

B. Scale and changes in stock options

The following describes scale and changes in stock options that existed during the fiscal year ended February 28, 2009. The number of stock options is translated into the number of shares.

Fiscal year ended February 28, 2009:

Number of stock options

	First grant-1	First grant-2
Before vested		
As of February 29, 2008	—	—
Granted	184	21
Forfeited	—	—
Vested	184	21
Outstanding	—	—
After vested		
As of February 29, 2008	—	—
Vested	184	21
Exercised	—	—
Forfeited	—	—
Outstanding	184	21

Price information	First grant-1	First grant-2
Exercise price	¥1 per share ($0.01 per share)	¥1 per share ($0.01 per share)
Average exercise price	—	—
Fair value at the grant date (a)	¥236,480 per subscription to share ($2,413 per subscription to share)	¥236,480 per subscription to share ($2,413 per subscription to share)

(a) The number of shares to be issued upon exercise of one subscription right to shares shall be 1 common share of Seven Bank, Ltd.

C. Valuation method for estimating per share fair value of stock options

Valuation technique used for valuating fair value of First grant-1 of subscription rights to shares and First grant-2 of subscription rights to shares during the fiscal year ended February 28, 2009 were as follows:

Valuation method used

Black-Scholes option-pricing model

Principal parameters and estimation method	First grant-1	First grant-2
Expected volatility of the underlying stock (a)	27.95%	27.95%
Remaining expected life of the option (b)	5 years and 6 months	5 years and 6 months
Expected dividends on the stock (c)	¥4,200 per share ($42.86 per share)	¥4,200 per share ($42.86 per share)
Risk-free interest rate during the expected option term (d)	1.076%	1.076%

(a) Although shares of Seven Bank, Ltd. have been listed on the Jasdaq Securities Exchange since February 29, 2008, there is not enough share price data to make a reasonable estimation of expected volatility of the share price. Therefore, the expected volatility was calculated based upon share price data of similar companies during the five years and six months from February 1, 2003 to August 12, 2008.

(b) The average expected life of the option was estimated assuming that the options were exercised at the weighted average period from June 2008 to each director's expected retirement date, based upon the numbers of stock options allocated to each director, plus 10 days of exercisable period.

(c) Expected dividends are determined based on the actual dividends on common stock for the fiscal year ended February 29, 2008.

(d) Japanese government bond yield corresponding to the average expected life.

D. Estimation of the number of stock options vested

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

15. COMMITMENTS AND CONTINGENT LIABILITIES

(1) Guarantees

As of February 28, 2009, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥724 million ($7,388 thousand). The amount of guarantee in relation to the loans of a certain store lessor was ¥262 million ($2,673 thousand).

As of February 29, 2008, the Company and its consolidated subsidiaries are contingently liable as guarantors for employees' housing loans from certain financial institutions totaling ¥909 million. The amount of guarantee in relation to the loans of a certain store lessor was ¥336 million.

(2) Pledged assets

A. The amount of assets pledged as collateral by the Company and its consolidated subsidiaries for their loans from certain financial institutions as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Other current assets	¥ —	¥ 2,275	$ —
Buildings and structures	38,592	61,595	393,796
Furniture, fixtures and equipment	626	790	6,387
Land	66,901	102,903	682,663
Other intangible assets	10,151	10,355	103,582
Investments in securities	59,021	64,474	602,255
Long-term leasehold deposits	4,452	4,606	45,429
Total	¥179,743	¥246,998	$1,834,112

Debts for the pledged assets above as of February 28, 2009 are as follows: call money, ¥7,300 million ($74,490 thousand); short-term loans, ¥3,000 million ($30,612 thousand); long-term loans (including current portion), ¥138,877 million ($1,417,112 thousand); long-term accounts payable, ¥1,106 million ($11,286 thousand); and long-term deposits received from tenants and franchised stores, ¥172 million ($1,755 thousand).

Debts for the pledged assets above as of February 29, 2008 are as follows: short-term loans, ¥2,569 million; long-term loans (including current portion), ¥214,565 million; long-term accounts payable, ¥1,216 million; and long-term deposits received from tenants and franchised stores, ¥188 million.

B. The amount of assets pledged as collateral for the debts of affiliates and vendors as of February 28, 2009 and February 29, 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings	¥ 946	¥1,021	$ 9,653
Land	2,033	2,032	20,745
Total	¥2,979	¥3,053	$30,398

Debts of affiliates and vendors for the pledged assets above as of February 28, 2009 and February 29, 2008 are ¥3,985 million ($40,663 thousand) and ¥3,985 million, respectively.

C. Other

As of February 28, 2009

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,573 million ($281,357 thousand) and ¥60 million ($612 thousand), respectively. The amount of assets pledged as collateral for installment sales are ¥1,670 million ($17,041 thousand). In addition, ¥910 million ($9,286 thousand) of assets was pledged as collateral to secure the amount of prepaid tickets issued.

As of February 29, 2008

The amount of assets pledged as collateral for fund transfer and for real estate business are ¥27,525 million and ¥60 million, respectively. The amount of assets pledged as collateral for installment sales and sales of beneficiary right of trust are ¥1,877 million and ¥10 million, respectively. In addition, ¥840 million of assets was pledged as collateral to secure the amount of prepaid tickets issued.

(3) Loan commitment

As of February 28, 2009

IY Card Service Co., Ltd. conducts a cash advance business which is associated with its credit card business. Unused credit balance related to loan commitment in a cash advance business is as follows:

	Millions of yen	Thousands of U.S. dollars (Note 3)
	2009	2009
Credit availability of loan commitment	¥490,862	$5,008,796
Outstanding balance	(19,539)	(199,378)
Unused credit balance	¥471,323	$4,809,418

Unused credit balance will not have a material impact on future cash flows because most of the unused credit balance will remain unused considering the historical records. IY Card Service Co., Ltd. will cease finance services or reduce the credit limit based on the credit situation of customers or other reasonable reasons.

16. SPECIAL PURPOSE CORPORATION

As of February 28, 2009

Summaries of Special Purpose Corporation (“SPC”) and transactions with the SPC

THE SEIBU DEPARTMENT STORES, LTD. (“SEIBU”), a consolidated subsidiary of the Company, established a real estate trust comprising of the land, land leasehold right and part of the buildings of a store and sold the beneficiary right of the trust to Asset Ikesei Corp., an SPC. Concurrently, SEIBU has entered into a silent partnership agreement with the SPC with a certain investment. Also, SEIBU leased back such store properties from the SPC who has the beneficiary right of the trust. Under these agreements, the above noted investment is subordinated to all liabilities to other members of the silent partnership and third parties other than members of the silent partnership.

Total assets and liabilities of Asset Ikesei Corp. as of July 31, 2008 (the latest year-end) were ¥125,502 million ($1,280,633) and ¥125,483 million ($1,280,439), respectively.

In addition, SEIBU did not have voting rights relating to the investment and did not dispatch any officer or employee.

A summary of transaction amounts with the SPC, etc., for the fiscal year ended February 28, 2009 is as follows:

As of February 28, 2009	
Accounts receivable	¥4,375 million ($44,643 thousand)
Amount of investment in the silent partnership	¥5,850 million ($59,694 thousand)

Fiscal year ended February 28, 2009	
Distribution of profit from the silent partnership	¥5,367 million ($54,765 thousand)
Lease payments	¥10,800 million ($110,204 thousand)

SEIBU has entered into lease agreement with the trustee. Lease payments were paid to the trustee based on the lease agreement.

As of February 29, 2008

A summary of the store name, amount of investment and SPC name is as follows:

Store name	Amount of investment	SPC name
Ikebukuro	¥5,850 million	Asset Ikesei Corp.

Information about SPC is as follows:

SPC name	Year-end	Total assets at the latest closing date
Asset Ikesei Corp.	July	¥124,867 million

17. NOTES AND ACCOUNTS PAYABLE: TRADE FOR FRANCHISED STORES

The balance of the "Notes and accounts payable: Trade for franchised stores" account represents the amount payable to vendors for merchandise purchased by Seven-Eleven Japan Co., Ltd. ("SEJ"). SEJ centralizes all purchasing procedures for merchandise purchased by an individual franchised store and makes collective payments to all vendors on behalf of the franchisees.

18. SUPPLEMENTARY PROFIT AND LOSS INFORMATION

(1) The franchise commission from SEJ's franchised stores is included in "Other operating revenues."

The franchise commission from franchised stores and concurrent net sales of franchised stores are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Franchise commission from franchised stores	¥ 394,864	¥ 369,467	$ 4,029,224
Net sales of franchised stores	2,621,568	2,421,352	26,750,694

(2) Inventory valuation losses included in "Cost of sales" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Inventory valuation losses	¥5,367	¥3,477	$54,765

(3) Major items included in "Gain on sales of property and equipment" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings and structures	¥1,614	¥4,091	$16,469
Land	3,540	2,169	36,123
Others	176	868	1,796
Total	¥5,330	¥7,128	$54,388

(4) Major items included in "Loss on disposals of property and equipment" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Buildings and structures	¥3,569	¥3,580	$36,418
Furniture, fixtures and equipment	811	1,958	8,276
Others	1,806	2,943	18,428
Total	¥6,186	¥8,481	$63,122

(5) "Gain on donations received"

Gain on donations received recorded for the fiscal year ended February 29, 2008 was received in cash.

(6) Major items included in "Selling, general and administrative expenses" are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2009	2008	2009
Advertising and decoration expenses	¥106,576	¥115,789	$1,087,510
Salaries and wages	423,866	439,714	4,325,163
Provision for allowance for bonuses to employees	15,646	16,066	159,653
Legal welfare expenses	50,213	50,835	512,378
Land and building rent	254,337	244,575	2,595,276
Depreciation and amortization	131,814	136,111	1,345,041
Utility expenses	105,418	100,124	1,075,694
Store maintenance and repair	73,102	79,781	745,939

19. RELATED PARTY TRANSACTIONS

There were no related party transactions during the fiscal years ended February 28, 2009 and February 29, 2008.

20. SEGMENT INFORMATION

(1) Business segments

	Millions of yen								
Fiscal year ended February 28, 2009	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥2,306,711	¥2,121,861	¥993,816	¥101,529	¥ 98,609	¥27,423	¥5,649,949	¥ —	¥5,649,949
Intersegment	1,980	3,169	61	1,182	26,257	7,657	40,306	(40,306)	—
Total revenues	2,308,691	2,125,030	993,877	102,711	124,866	35,080	5,690,255	(40,306)	5,649,949
Operating expenses	2,095,323	2,100,288	975,542	105,659	99,381	33,010	5,409,203	(41,120)	5,368,083
Operating income (loss)	¥ 213,368	¥ 24,742	¥ 18,335	¥ (2,948)	¥ 25,485	¥ 2,070	¥ 281,052	¥ 814	¥ 281,866
Assets	¥1,267,180	¥1,160,129	¥704,695	¥ 58,206	¥1,055,492	¥21,543	¥4,267,245	¥(540,184)	¥3,727,061
Depreciation and amortization	¥ 67,299	¥ 26,116	¥ 20,004	¥ 2,211	¥ 24,532	¥ 347	¥ 140,509	¥ 20	¥ 140,529
Impairment loss on property and equipment	¥ 7,851	¥ 15,666	¥ 10,848	¥ 3,993	¥ 1,014	¥ —	¥ 39,372	¥ —	¥ 39,372
Capital expenditures	¥ 85,465	¥ 40,460	¥ 11,755	¥ 1,046	¥ 23,802	¥ 844	¥ 163,372	¥ 9	¥ 163,381

	Millions of yen								
Fiscal year ended February 29, 2008	Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	¥2,393,220	¥2,098,014	¥1,025,350	¥113,113	¥ 93,903	¥28,793	¥5,752,393	¥ —	¥5,752,393
Intersegment	2,482	11,036	5	867	24,053	7,860	46,303	(46,303)	—
Total revenues	2,395,702	2,109,050	1,025,355	113,980	117,956	36,653	5,798,696	(46,303)	5,752,393
Operating expenses	2,194,670	2,074,991	999,590	118,211	96,884	34,164	5,518,510	(47,205)	5,471,305
Operating income (loss)	¥ 201,032	¥ 34,059	¥ 25,765	¥ (4,231)	¥ 21,072	¥ 2,489	¥ 280,186	¥ 902	¥ 281,088
Assets	¥1,295,164	¥1,129,181	¥ 781,268	¥ 69,205	¥916,730	¥16,580	¥4,208,128	¥(321,448)	¥3,886,680
Depreciation and amortization	¥ 74,066	¥ 26,452	¥ 20,154	¥ 2,904	¥ 19,774	¥ 271	¥ 143,621	¥ 22	¥ 143,643
Impairment loss on property and equipment	¥ 9,621	¥ 3,943	¥ 4,192	¥ 2,275	¥ —	¥ —	¥ 20,031	¥ —	¥ 20,031
Capital expenditures	¥ 91,173	¥ 47,299	¥ 16,670	¥ 1,395	¥ 31,533	¥ 483	¥ 188,553	¥ 24	¥ 188,577

Fiscal year ended February 28, 2009	Thousands of U.S. dollars (Note 3) Convenience store operations	Superstore operations	Department store operations	Food services	Financial services	Others	Total before eliminations	Eliminations / corporate	Consolidated total
Revenues:									
Customers	$23,537,867	$21,651,644	$10,140,980	$1,036,009	$ 1,006,214	$279,827	$57,652,541	$ —	$57,652,541
Intersegment	20,204	32,336	622	12,062	267,929	78,133	411,286	(411,286)	—
Total revenues	23,558,071	21,683,980	10,141,602	1,048,071	1,274,143	357,960	58,063,827	(411,286)	57,652,541
Operating expenses	21,380,847	21,431,510	9,954,510	1,078,153	1,014,092	336,837	55,195,949	(419,592)	54,776,357
Operating income (loss)	$ 2,177,224	$ 252,470	$ 187,092	$ (30,082)	$ 260,051	$ 21,123	$ 2,867,878	$ 8,306	$ 2,876,184
Assets	$12,930,408	$11,838,051	$ 7,190,765	$ 593,939	$10,770,327	$219,826	$43,543,316	$(5,512,081)	$38,031,235
Depreciation and amortization	$ 686,724	$ 266,490	$ 204,122	$ 22,561	$ 250,327	$ 3,541	$ 1,433,765	$ 204	$ 1,433,969
Impairment loss on property and equipment	$ 80,112	$ 159,857	$ 110,694	$ 40,745	$ 10,347	$ —	$ 401,755	$ —	$ 401,755
Capital expenditures	$ 872,092	$ 412,857	$ 119,949	$ 10,673	$ 242,878	$ 8,612	$ 1,667,061	$ 92	$ 1,667,153

Notes:
1. The classification of business segments is made by the type of products and services and the type of sales.
2. Major businesses in each segment are as follows:

Convenience store operations	Convenience store business operated by corporate stores and franchised stores under the name of "7-Eleven"
Superstore operations	Superstore, supermarket and specialty shop
Department store operations	Sogo Co., Ltd., THE SEIBU DEPARTMENT STORES, LTD. and other companies included in the department store business
Food services	Restaurant operations, meal provision services business (company cafeteria, hospital, school) and fast food operations
Financial services	Bank, credit card and lease business
Others	Electronic commerce business and other services

3. Unallocable operating expenses included in "Eliminations / corporate" represent the Company's general and administrative expenses, and totaled ¥7,061 million ($72,051 thousand) for the fiscal year ended February 28, 2009 and ¥6,791 million for the fiscal year ended February 29, 2008.
4. Capital expenditures exclude long-term leasehold deposits.

(2) Geographic area segments

Fiscal year ended February 28, 2009	Millions of yen Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers	¥3,806,372	¥1,763,176	¥80,401	¥5,649,949	¥ —	¥5,649,949
Intersegment	346	2,994	—	3,340	(3,340)	—
Total revenues	3,806,718	1,766,170	80,401	5,653,289	(3,340)	5,649,949
Operating expenses	3,561,470	1,731,728	78,073	5,371,271	(3,188)	5,368,083
Operating income	¥ 245,248	¥ 34,442	¥ 2,328	¥ 282,018	¥ (152)	¥ 281,866
Assets	¥3,220,266	¥ 487,289	¥29,326	¥3,736,881	¥ (9,820)	¥3,727,061

Fiscal year ended February 29, 2008	Millions of yen Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers	¥3,821,899	¥1,864,450	¥66,044	¥5,752,393	¥ —	¥5,752,393
Intersegment	311	2,617	—	2,928	(2,928)	—
Total revenues	3,822,210	1,867,067	66,044	5,755,321	(2,928)	5,752,393
Operating expenses	3,574,937	1,835,484	63,816	5,474,237	(2,932)	5,471,305
Operating income	¥ 247,273	¥ 31,583	¥ 2,228	¥ 281,084	¥ 4	¥ 281,088
Assets	¥3,265,019	¥ 616,626	¥27,243	¥3,908,888	¥(22,208)	¥3,886,680

Fiscal year ended February 28, 2009	Thousands of U.S. dollars (Note 3) Japan	North America	Others	Total before eliminations	Eliminations	Consolidated total
Revenues:						
Customers	$38,840,531	$17,991,592	$820,418	$57,652,541	$ —	$57,652,541
Intersegment	3,531	30,551	—	34,082	(34,082)	—
Total revenues	38,844,062	18,022,143	820,418	57,686,623	(34,082)	57,652,541
Operating expenses	36,341,531	17,670,694	796,663	54,808,888	(32,531)	54,776,357
Operating income	$ 2,502,531	$ 351,449	$ 23,755	$ 2,877,735	$ (1,551)	$ 2,876,184
Assets	$32,859,857	$ 4,972,337	$299,245	$38,131,439	$ (100,204)	$38,031,235

Notes:
1. The classification of geographic area segments is made according to geographical distances.
2. "Others" consists of the business results in the People's Republic of China ("P.R.C.") as of February 28, 2009 and mainly in the P.R.C. as of February 29, 2008.

(3) Overseas sales

Fiscal year ended February 28, 2009	Millions of yen North America	Others	Total
Overseas sales	¥1,763,176	¥80,401	¥1,843,577
Consolidated sales	—	—	5,649,949
Percentage of overseas sales to consolidated sales (%)	31.2	1.4	32.6

Fiscal year ended February 29, 2008	Millions of yen North America	Others	Total
Overseas sales	¥ 1,864,450	¥66,044	¥1,930,494
Consolidated sales	—	—	5,752,393
Percentage of overseas sales to consolidated sales (%)	32.4	1.2	33.6

Fiscal year ended February 28, 2009	Thousands of U.S. dollars (Note 3) North America	Others	Total
Overseas sales	$17,991,592	$820,418	$18,812,010
Consolidated sales	—	—	57,652,541
Percentage of overseas sales to consolidated sales (%)	31.2	1.4	32.6

Notes:
1. The classification of overseas sales area segments is made according to geographical distances.
2. "Others" consists of sales in the P.R.C.
3. "Overseas sales" represents net sales and other operating revenue of consolidated subsidiaries in countries and areas outside of Japan.

21. SUBSEQUENT EVENT

1. Cash dividend

Subsequent to February 28, 2009, the Company's Board of Directors declared a year-end cash dividend of ¥26,201 million ($267,357 thousand) to be payable on May 29, 2009 to shareholders on record on February 28, 2009.

The dividend declared was approved by the shareholders at the meeting held on May 28, 2009.

Independent Auditors' Report

To the Shareholders and Board of Directors of
Seven & i Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheets of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2009 and February 29, 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seven & i Holdings Co., Ltd. and consolidated subsidiaries as of February 28, 2009 and February 29, 2008, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:
As discussed in Note 2(8) (c) to the consolidated financial statements, effective from the year ended February 29, 2008, certain domestic consolidated subsidiaries changed their accounting policies to provide an allowance for losses on future collection of gift certificates.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended February 28, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
May 28, 2009